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STATE FOR AF/S - M. SHIELDS
STATE ALSO FOR EEB/IFD/ODF - K. ENSTROM
MCC FOR J. HEWKO, D. TETER, AND S. RHOADES

E.O. 12958: N/A
TAGS: [EAID](#) [ECON](#) [PREL](#) [KMCA](#) [ZA](#)
SUBJECT: ZAMBIA ENTHUSIASTICALLY EMBRACES MCA COMPACT
PROCESS

1. (SBU) In a December 18 meeting, the Ambassador briefed President Rupiah Banda on Zambia's newly announced Millennium Challenge Account (MCA) compact eligibility. The Ambassador stressed that the Millennium Challenge Corporation (MCC) board had selected Zambia because of its commitment to governing justly, promoting economic reform and investing in its people, particularly in the areas of health and education. The Ambassador described the first phases of MCA compact development that would begin with an introductory visit by MCC officials early in 2009. He cautioned that Zambia must remain vigilant to maintain its eligibility status throughout the approximately two year compact negotiation process and it should pay particular attention to anti-corruption efforts. (The Ambassador made a pitch to pass long-stalled asset disclosure, whistleblower protection, and anti-money laundering bills, but the President seemed not to be well briefed on these.) The Ambassador underscored that a focused, integrated, and rational MCA program that reduces poverty through income generation, job creation and sectoral and/or regional economic growth should "solve 100 percent of one or two problems rather than 10 percent of several issues." The Ambassador urged the President to appoint an empowered MCA Compact Coordinator and to include a two to three million U.S. dollar line item in the Zambian government's (GRZ's) 2009 budget (which will be presented to parliament by February 2009) to fund the Zambian core team and the compact negotiation process, including consultative mechanisms and analyses of constraints to growth. Banda took down a note and agreed to discuss it with the Finance Minister. The Ambassador emphasized that an MCA compact was a Zambian plan, led by the GRZ. To ensure broad ownership, it should reflect the interests and positions of all Zambian stakeholders. A clearly engaged, enthusiastic, and interested Banda said MCA was "important" and indicated it would definitely be a national priority over the coming months. Banda did ask whether the negotiations could be accelerated to cut the negotiation time to less than two years. The Ambassador said that thorough preparation and good organization on the Zambian side would certainly help, but that compacts traditionally take 18 to 24 months to complete.

2. (U) Also on December 18, DCM, P/E Chief, and USAID FSN met with working level Ministry of Finance officials to deliver similar messages. DCM reviewed expectations for the MCC's initial introductory visit, previewed the MCC's upcoming tasking to name a full-time, empowered POC and to assemble a team comprised of an economist, a monitoring and evaluation expert, and a person to design and implement a consultative mechanism. DCM also underscored the urgency and importance of including two to three million U.S. dollars in a FY 09 budget line for conducting MCA compact negotiations. After hearing the proposed timeline for constraint analysis, consultation, concept preparation, appraisal and funding, GRZ officials asked whether the two-year timeline could be

accelerated. P/E chief and DCM said that proper preparation and organization could facilitate early phases, including the introductory visit. Pamela Bwalya from the Finance Ministry said that in October, MCC officials in Washington told her that GRZ consultative processes in developing Zambia's (now three year old) Fifth National Development Plan (FNDP) could mean that the consultative phase might be curtailed. Another official noted that both the preparation of the FNDP and the ongoing mid-term review are analyzing the constraints to growth in Zambia; she hoped to coordinate this process with MCC's anticipated requests. P/E Chief provided MCC website information to help GRZ officials prepare for the earliest stages of the compact process.

13. (SBU) Comment: From top to bottom, the GRZ is anxious to begin the MCA compact negotiations and eager to accelerate the two-year process. The President and working level Finance Ministry contacts were grateful for the briefings and for the vote of confidence implied by eligibility. In the coming days, Finance Ministry officials will travel to Dar es Salaam to consult with Tanzanian officials on their experiences negotiating an MCA compact. The Zambians are also planning to consult with Namibian counterparts. The request for a budget line item was sobering. One Finance official, noting the U.S. request for a GRZ budget line item commitment, pressed DCM for a USG commitment to MCA funding in outyears given the change of administration in the United States, new budgetary realities, and a looming recession. Nonetheless, all got the message that Zambia must make this a national priority or a compact is a "no go." Post would welcome an MCC visit as early as possible in 2009, preferably in the second half of January.

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